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Report Highlights: Lower cattle inventories point to reduced Canadian beef output in 2003 and 2004. Increasing hog numbers are expected to result in record hog production in 2003 and record pork exports.

Includes PSD changes: Yes
Includes Trade Matrix: No
Unscheduled Report
Ottawa [CA1], CA

Executive Summary

* Severe drought conditions during 2002 in Alberta & Saskatchewan, home to 70% of the Canadian beef breeding herd, have impacted normal cattle marketing flows and beef production decisions.

* Fewer cattle will be fed in western Canada in 2002, particularly in the last half of the year, but drought related cow marketings and an increase in Ontario slaughter levels could push total Canadian cattle slaughter above the 2001 level.

* Canadian beef production is expected to be lower in 2003 and 2004 reflecting lower inventories.

* Present prospects point to reduced numbers of U.S. feeder cattle moving north under the Northwest Cattle Project in the upcoming 2002/2003 season as tight feed grain supplies and high feed prices are expected to weaken demand for imported feeders.

* Canada's hog inventory reached a record level in 2002 and hog numbers are forecast to continue to grow in 2003. The pig crop has the potential to reach 30 million head in 2003, more than 20% greater than five years ago.

* Hog slaughter capacity in Canada continues to increase moderately. Pork production is forecast to be higher in 2003 and 2004.

* Prospects for U.S. pork exports to Canada in 2003 are for steady, modest gains. Exports in the first half of 2002 were almost 6% above the 2001 record pace of 85,000 metric tons carcass weight equivalent.

* Canada was the world's largest single country pork exporter in 2001. It ranked second behind the total pork exports of the European Union.

* The U.S. country of origin labeling (COL) provision in the U.S. Farm Bill is an issue of major concern to Canada's beef and pork production sectors which rely heavily on export sales to the United States for both live animals and meat products.

* Canadian beef industry analysts believe the U.S. could lose market share in the high value eastern Canada beef market if the imposition of U.S. country of origin labeling on Canadian beef results in increased competing supplies of domestic beef.

Section 1. Cattle

Situation in 2002: Severe drought conditions in Alberta & Saskatchewan, home to 70% of the Canadian beef breeding herd, have impacted normal cattle marketing flows and beef production decisions. Fewer cattle will be fed in western Canada in 2002, particularly in the last half of the year, but drought related cow marketings and an increase in Ontario slaughter levels could push total Canadian cattle slaughter above the 2001 level. There has been a marked increase in live cattle exports (feeder and slaughter cattle) to the U.S. this year and lower feeder cattle imports from the United States. The decline in the number of cattle on feed in the west during 2002 reflects the poor regional crop yield prospects leading to higher feed grain prices and to tight or negative feeding margins.

PSD Table						
Country	Canada					
Commodity	Animal Numbers, Cattle				(1000 HEAD)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Total Cattle Beg. Stks	12996	13608	12959	13700	13000	13440
Dairy Cows Beg. Stocks	1136	1091	1137	1084	0	1075
Beef Cows Beg. Stocks	4208	4602	4268	4636	0	4450
Production (Calf Crop)	5390	5606	5340	5600	0	5400
Intra EC Imports	0	0	0	0	0	0
Other Imports	302	235	225	100	0	95
TOTAL Imports	302	235	225	100	0	95
TOTAL SUPPLY	18688	19449	18524	19400	13000	18935
Intra EC Exports	0	0	0	0	0	0
Other Exports	1310	1308	1250	1500	0	1200
TOTAL Exports	1310	1308	1250	1500	0	1200
Cow Slaughter	475	588	460	650	0	575
Calf Slaughter	315	315	320	320	0	300
Other Slaughter	2971	2913	2895	2890	0	2825
Total Slaughter	3761	3816	3675	3860	0	3700
Loss	658	625	599	600	0	585
Ending Inventories	12959	13700	13000	13440	0	13450
TOTAL DISTRIBUTION	18688	19449	18524	19400	0	18935

Outlook: The 2003 cattle outlook is characterized by reduced cattle numbers in all categories including a reduced breeding herd, a smaller calf crop and lower numbers of fed cattle. Increased competition among Canadian packers for lower supplies of fed cattle is expected to result in a sharp decline in live slaughter cattle exports to the United States, while North American corn pricing is expected to draw increased Canadian feeder cattle into the United States. Canadian cattle slaughter is expected to decline 3-4% in 2003 with projections for reduced slaughter and lower beef output well into 2004. Prospects for significant numbers of U.S. feeder cattle to move under the Northwest Cattle Project in the upcoming 2002/2003 season are poor as tight Canadian feed grain supplies and high feed prices weaken demand for imported feeders.

Beef and Veal

After significant increases in the first seven months of 2002, related to drought-induced marketings and fed cattle marketings, the pace of cattle slaughter and beef production in the remaining months of 2002 is expected to fall sharply resulting in a modest year-to-year increase in total beef output. Production declines are forecast for 2003 and 2004.

PSD Table						
Country	Canada					
Commodity	Meat, Beef and Veal				(1000 MT CWE)(1000 HEAD)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Slaughter (Reference)	3761	3816	3675	3860	0	3700
Beginning Stocks	26	26	25	32	24	28
Production	1235	1250	1214	1260	0	1215
Intra EC Imports	0	0	0	0	0	0
Other Imports	299	299	320	310	0	325
TOTAL Imports	299	299	320	310	0	325
TOTAL SUPPLY	1560	1575	1559	1602	24	1568
Intra EC Exports	0	0	0	0	0	0
Other Exports	574	574	580	625	0	635
TOTAL Exports	574	574	580	625	0	635
Human Dom. Consumption	961	969	955	949	0	908
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumption	961	969	955	949	0	908
Ending Stocks	25	32	24	28	0	25
TOTAL DISTRIBUTION	1560	1575	1559	1602	0	1568

Cattle Prices

During the first eight months of 2002, monthly Canadian fed cattle prices have averaged consistently below last year reflecting relatively large supplies of fed cattle in the first half of the year and general downward pressure on cattle markets due to drought-induced sales. In the remaining months of 2002 (September-December) fed cattle prices in Canada are expected to advance equal to or above last year's level reflecting lower marketings from western feedlots.

Canada: Slaughter Steer Prices						
Monthly Weighted Averages; Alberta						
Units: C$/hundredweight						
	1997	1998	1999	2000	2001	2002
January	79.71	84.69	90.08	94.90	107.66	105.08
February	84.12	82.56	88.36	92.46	113.81	107.10
March	87.15	83.45	90.85	98.55	118.07	109.62
April	86.30	86.74	88.58	100.25	111.75	98.83*
May	84.69	86.33	88.03	96.59	105.24	94.60*
June	82.31	83.44	86.37	92.73	99.81	90.64*
July	83.00	79.81	84.94	89.52	98.41	90.02*
August	83.55	80.95	87.42	91.71	97.95	92.50*
September	80.19	78.35	87.26	88.54	94.25	
October	84.00	84.06	89.93	91.98	94.82	
November	87.20	88.67	95.09	98.99	96.88	
December	85.81	86.81	99.11	107.09	99.07	
Annual Aver.	83.94	83.56	89.30	95.00	102.82	
*estimate, based on preliminary data						
Sources: StatCan,Livestock Statistics & CanFax						

Beef Export Outlook:

The rate of increase in Canadian beef exports to destinations other than the United States outpaced Canadian beef sales to U.S. during 2001, but in the first six months of 2002, Canadian beef exports have again relied on the U.S. market for the major share of sales gains. This is largely due to the sharp decline in Canadian beef export to Japan, following the BSE scare in that country. In the Jan-June period of 2002, Canada relied on the U.S. market for 83% of its beef exports sales. Prospects continue for increased sales to Mexico, the number two Canadian beef export market and sales to South Korea recovered closer to their 2000 levels. China is an emerging market for Canadian beef, based on realized increases in the Jan-June period of 2002, but current sales are minor.

Beef Import Outlook

Imports from the United States: Imports of U.S. beef into Canada in the first six months of 2002 advanced 4% over the same period a year ago. The U.S. is the major supplier of imported beef to Canada, mostly to eastern Canada, but aggressive marketing by Alberta's large beef processors has increased the competition for U.S. high quality beef in the more populous eastern Canada market. Canadian beef industry analysts are quick to point out that should Canada lose U.S. market share due to the imposition of country of origin labeling on Canadian beef, U.S. beef exports to Canada would face stronger competition from increased supplies of western Canadian beef battling for the valuable eastern Canadian market.

Canadian beef imports Canadian imports of beef from non-NAFTA sources are governed by a TRQ system. For TRQ information go to the Department of Foreign Affairs & International Trade website: http://www.dfait-maeci.gc.ca/~eicb/beef/beef-e.htm

Policy Update

Country of Origin Labeling

A provision of the U.S. Farm Bill which includes mandatory country of origin labeling for red meats by 2004 is a major concern to the Canadian cattle industry which sells more than 50% of its production, in the form of beef or cattle, to the United States. Prior to that a voluntary program will be in place. The Canadian Cattlemen's Association (CCA) hopes that the two year voluntary program will prove that a mandatory program is not in the best interest of U.S. producers, industry or consumers. However CCA is proceeding with mitigation plans as though the mandatory program will come into effect. The CCA believes that it is difficult to say exactly what the impact of this Bill will be on the Canadian beef industry until all the details are known. The details may or may not be made known until September 2004, just before the rules come into effect. While mandatory country of origin labeling will have a negative impact, the CCA believes it is not insurmountable. According to the CCA, much of the beef Canada exports is grinding beef or high end cuts that go to the food service market, which is not affected by country of origin labeling. Mitigation plans include enhancing those end uses, as well as developing branded programs in the U.S., and alternative export markets. CCA continues to work with a coalition of U.S. retailers, packers, processors, the U.S. National Cattlemen's Beef Association, and the Canadian embassy in Washington to oppose mandatory country of origin labeling.

Cattle Traceback

Monetary penalties for non-compliance with the Canadian Cattle Identification Program come into effect July 1, 2002. Over 12 million tags have been sold to producers and reported to the Canadian Cattle Identification Agency (CCIA) database. It's anticipated that the target of having 95% of cattle beyond the herd of origin tagged with CCIA numbers will be achieved by the end of 2002. For more information see CA0108; and CA0120, or visit the CCIA webpage at: http://www.cattle.ca/ccia/default.htm

Year 'Round Cattle Imports

The CCA and the National Cattlemen's Beef Association (NCBA) of the United States held an Expert Summit on the livestock diseases Anaplasmosis and Bluetongue in Ottawa June 20 and 21. The testing requirements for these diseases are perceived to be the main barrier to year-round imports of feeder cattle from the U.S. to Canada. The Summit attracted scientists, stakeholders, regulators and government representation from both countries. At present, U.S. feeder cattle are permitted into approved Canadian feedlots only during the non-vector season for these diseases, which runs from October to March.

Section II. Hogs and Pork

Canada's hog inventory reached a record level in 2002 and hog numbers are forecast to continue to grow in 2003. The pig crop has the potential to reach 30 million head in 2003, more than 20% greater than five years ago. Canada's largest hog producing provinces are Quebec and Ontario but expansion has been most rapid in the west. Almost 75% of Canadian live hog exports to the United States, forecast to reach 6.0 million head in 2002, originate from Western Canada. Producers seem poised to ride out the current weak hog market (see Prices table). According to recent surveys, hog producers are planning to only modestly reduce the year-to-year rate of increase in farrowings during the final quarter of 2002 and early 2003.

PSD Table						
Country	Canada					
Commodity	Animal Numbers, Swine				(1000 HEAD)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
TOTAL Beginning Stocks	12642	13576	13060	14367	13600	14550
Sow Beginning Stocks	1336	1361	1440	1463	0	1475
Production (Pig Crop)	27763	28191	29300	29500	0	30100
Intra EC Imports	0	0	0	0	0	0
Other Imports	5	4	5	5	0	5
TOTAL Imports	5	4	5	5	0	5
TOTAL SUPPLY	40410	41771	42365	43872	13600	44655
Intra EC Exports	0	0	0	0	0	0
Other Exports	5311	5344	5800	6000	0	5600
TOTAL Exports	5311	5344	5800	6000	0	5600
Sow Slaughter	0	0	0	0	0	0
OTHER SLAUGHTER	20679	20698	21600	21900	0	22600
Total Slaughter	20679	20698	21600	21900	0	22600
Loss	1360	1362	1365	1422	0	1505
Ending Inventories	13060	14367	13600	14550	0	14950
TOTAL DISTRIBUTION	40410	41771	42365	43872	0	44655
Calendar Yr. Imp. from U.S.	10	10	10	10	0	0

Calendar Yr. Exp. to U.S.	4995	4995	5095	5095	0	0

Live Hog Exports, By Type

The following table shows Canadian live hog exports to the United States, by type, through June 2002.

Canada: Live Swine Exports to the U.S., Calendar Year, by type								
HS= 0103								
Units: Thousand Head						January-	January-	
						June	June	%
TYPE	HS Code	1999	2000	2001		2001	2002	change
Slaughter	0103.92	2,053	2,019	2,152		1,045	1,038	-0.7%
Feeder	0103.91	2,083	2,336	3,169		1,426	1,846	29.5%
Purebred	0103.10	1	5	23		16	13	-18.8%
TOTALS		4,137	4,360	5,344		2,487	2,897	16.5%
Source: World Trade Atlas								

Pork Production

Canada remained the world's largest single country pork exporter in 2001, but slipped to second place behind the total pork exports of the European Union. Pork production expansion in Canada is driven by increased export demand and rising domestic consumption. Production in 2002 is expected to advance about 5% over last year and for 2003, post forecasts a further annual increase of 2-3%, reaching a record 1.9 million metric tons.

PSD Table						
Country	Canada					
Commodity	Meat, Swine				(1000 MT CWE)(1000 HEAD)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Slaughter (Reference)	20679	20698	21600	21900	0	22600
Beginning Stocks	33	33	35	39	35	40
Production	1720	1729	1800	1820	0	1870
Intra EC Imports	0	0	0	0	0	0
Other Imports	91	91	90	95	0	100
TOTAL Imports	91	91	90	95	0	100
TOTAL SUPPLY	1844	1853	1925	1954	35	2010
Intra EC Exports	0	0	0	0	0	0
Other Exports	727	727	750	790	0	810
TOTAL Exports	727	727	750	790	0	810
Human Dom. Consumption	912	917	965	949	0	980
Other Use, Losses	170	170	175	175	0	180
TOTAL Dom. Consumption	1082	1087	1140	1124	0	1160
Ending Stocks	35	39	35	40	0	40
TOTAL DISTRIBUTION	1844	1853	1925	1954	0	2010
Calendar Yr. Imp. from U.S.	62	85	75	90	0	95
Calendar Yr. Exp. to U.S.	530	434	540	480	0	500

Hog Slaughter Capacity and Industry Developments

Canadian hog slaughter capacity is increasing. The Canada Pork Council, the national organization representing hog producers, estimates slaughter capacity at approximately 440,000 head per week. This is roughly 80,000 head per week greater than the weekly capacity during the 1998/99 North American hog market price crisis. Recent developments in the hog packing industry in Canada during 2002/2003 that are expected to result in higher Canadian slaughter rates and reduced future live slaughter hog exports to the United States include: greater purchases of domestic live slaughter hogs by Maple Leaf Pork in Manitoba following a finished hog delivery agreement with Puratone, a feed and contract pig enterprise; the purchase of the Fletcher plant in Red Deer Alberta by Olymel, Canada's largest pork processor, which has announced it will invest C$5 million in improvements to the hog processing plant; a plan to increase line speed at certain Olymel slaughter plants in Quebec; an application by the Maple Leaf Brandon plant to local authorities for environmental clearance to go to a second shift and; the absence of expiring labor agreements in the industry.

Whereas much of the expansion in the Manitoba hog industry in recent years has been in the feeder pig production business, there is some recent interest among Manitoba feeder operators to build finishing barns. The possibility of a U.S. country of origin labeling rule being implemented has reportedly introduced some uncertainty about the future of feeder pig exports among Manitoba operators who are now considering investment in feeder barns. Presumably, the logic being that it is easier to prove and/or claim country of origin through the meat export chain than through live animal export channels.

Hog Prices

Mid-year Canadian hog market prices are depressed and producers are awating the outcome of predictions for severe price declines across North America in the final quarter of 2002. However, Canadian hog producers, who showed their resilience during the hog price crisis of 1998/99, are expected to weather the oncoming low price storm with only a modest downward adjustment to production expansion plans. Hog facility investors in Canada appear to be truly in business for the long term.

Canada: Slaughter Hog Prices; Ontario & Manitoba						
Units: $C/kilogram; index 100 dressed						
	ONTARIO			MANITOBA		
	2000	2001	2002	2000	2001	2002
January	1.34	1.38	1.50	1.38	1.41	1.53
February	1.50	1.51	1.67	1.62	1.48	1.63
March	1.57	1.81	1.56	1.63	1.76	1.54
April	1.76	1.86	1.34	1.89	1.83	1.38
May	1.85	1.95	1.34	1.93	1.95	1.38
June	1.79	2.05	1.41	1.85	1.98	1.44
July	1.83	2.04	1.58	1.85	1.98	1.56
August	1.71	2.01	1.47*	1.68	1.96	1.48*
September	1.59	1.76		1.58	1.81	
October	1.58	1.60		1.61	1.64	
November	1.43	1.47		1.41	1.48	
December	1.49	1.36		1.50	1.38	
Average	1.62	1.73		1.66	1.72	
*estimated						
Source: StatCan & AgCan;						

Pork Trade Update

Imports

Canadian pork imports from the U.S., the major supplier, reached a record 85,257 metric tons, cwe. (carcass weight equivalent) in 2001, an increase of 38% above the previous year. The U.S. market share of the Canadian import market is above 95%. Denmark, Italy and Finland are the only other important suppliers. Future prospects for U.S. pork in Canada are for steady, modest gains. Exports to Canada in the first half of 2002 were almost 6% above the 2001 record pace.

Exports:

Canada's pork exports are expected to reach almost 800,000 metric tons (cwe) in 2002 and exceed that level in 2003. In the January-June period of 2002, exports to all destinations advanced 14% above the same period a year earlier. The largest absolute gain was attributable to increased exports to the United States, while the greatest percentage gains for Canadian pork exports in the first half of 2002 were attributable to sales to Australia, Russia, South Korea, and China. Of Canada's expanding offshore export markets, only sales to Mexico were down in the first six months of 2002.

Livestock Related Reports This Year

Report #	Name of Report	Date Submitted
CA2097	Livestock Shows	8/19/2002
CA2089	Eastern Farmers Send Hay to Drought Stricken West	8/01/2002
CA2089	Cattlemen Set Record Straight on Steroids	8/01/2002
CA2084	Drought Forcing Cattle Sales	7/11/2002
CA2084	Cattle Industry Uneasy over Possible U.S. Curbs on Canadian Cattle Exports Due to Bovine Tuberculosis	7/11/2002
CA2081	Feeder Pig Exports Higher	6/28/2002
CA2074	Alberta Ranks Fourth in Cattle Slaughter	6/14/2002
CA2060	Moratorium on Hog Barns in Quebec	5/10/2002
CA2060	Western Canadian Hog Production Efficiency Study	5/20/2002
CA2056	Cattlemen Disappointed With Farm Bill	5/03/2002
CA2045	Beef Consumption Dips	4/25/2002
CA2045	Hog Numbers Up Sharply in Western Canada	4/25/2002
CA2030	Canadian Cattlemen Elect New Leaders	3/22/2002
CA2022	Canadian Cattlemen Pleased with U.S. Resolution	3/07/2002
CA2022	Cattle Identification Program Helps Canadian Beef Exports	3/07/2002
CA2018	Livestock Survey Shows More Hogs	2/22/2002
CA2018	U.S. Beef Jerky Sales	2/22/2002
CA2014	Alberta Feedlots Shift to U.S. Corn	2/07/2002
CA2014	Cargill To Build Meat Processing Plant in Quebec	2/07/2002
CA2013	Semi-Annual Livestock Report	2/6/2002
CA2012	Lower Imports of U.S. Feeder Cattle	2/01/2002
CA2009	Canadian Hog Producers Still Awaiting Feed Ingredient Approval	1/24/2002
CA2004	Hogs Post Profitable Year; Pork Exports Up	1/10/2002

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